

JAN 14 1956

~~SECRET~~

308

OFFICE OF RESEARCH AND REPORTS

BRIEFING PAPER

Introduction

You are all aware that the past year has been one of decision in the Soviet Union -- a year of change. Georgi Malenkov, carefully trained as heir to Stalin, has been deposed. In his place is Marshal Bulganin, a politician upon whom the Soviet leadership conferred an honorary military title in recognition of his past services to the State.

But Bulganin is not the successor to the mantle of Stalin. The fact that he holds the highest position in the Soviet State reflects his past political success as a compromiser. He is an acceptable front man. Nikita Khrushchev is currently the man who holds the reins. In the latter part of 1954, the lines of future policy were taking shape. Malenkov's economic "new course" which was intended to improve the lot of the average Soviet citizen by supplying increased consumer goods, particularly when combined with an apparent softening of attitude toward the West, did not have the wholehearted support of Khrushchev and other Soviet leaders. These men were not reconciled to the Soviet lion being slowly transformed into a lamb, both in its relations with its own people and with the rest of the world. This trend has been slackened somewhat and the emphasis on defense has been further strengthened, with continued traditional attention to heavy industry.

The names of the opposing champions in this conflict -- Malenkov and

~~SECRET~~JAN 16 1956
VE 2

S-E-C-R-E-T

Khrushchev -- are not as important to the Free World as the policy which has emerged, because this is the key for understanding what is likely to happen. And this policy is basically economic; political and military moves follow from it.

Our Office of Research and Reports is organized to provide the factual analyses required to anticipate and prepare for major problems which stem from the rapid march of economic events in the Soviet Bloc and may affect the long-range power balance in the world.

In describing the work of this Office I shall mention, in addition to its economic intelligence production, some other important activities which include its coordinating responsibilities, its intelligence support to economic defense, its geographic research, and the part it plays in the National Intelligence Surveys Program.

Economic Intelligence

A major effort of the Office of Research and Reports is directed toward the development of intelligence on the economic status of the Soviet Bloc, essential for estimating Soviet capabilities, vulnerabilities, and intentions. For example, in assessing the problems of a cold war extending many years into the future, the Office made an extensive and careful study of probable economic growth of the Soviet Union up to 1975. This was published last December in a report entitled "Long Run Soviet Economic Growth." This study was a careful historical analysis of the factors, such as, labor, education, capital and technology, which contributed to

S-E-C-R-E-T

S-E-C-R-E-T

Soviet economic growth in the past, and a projection of future economic growth. Recent changes in Soviet leadership, and the new policies that have been announced, affirm its conclusions. Despite declines in the rate of economic expansion behind the Iron Curtain, future Soviet rates of growth will continue to be higher than that of the U.S. over the next 20 years. The study further showed that agriculture was the chief limitation on Soviet growth. This has been amply confirmed by the all-out emphasis on agricultural production in recent Soviet Plans. Policy officers of this Government were thereby given a carefully evaluated picture of what developments could be anticipated behind the Iron Curtain over the next two decades. In this case, as in others involving the status of the Soviet Bloc economy, it was the job of the Office of Research and Reports to supply an analysis of the facts, as opposed to curbstone opinions, from which the policymakers could be provided with the meaning and significance to the United States and to the Free World of Soviet economic developments.

The various problems of the Soviet Bloc economy are closely inter-related, and its many parts can be properly measured only by applying an integrated approach in the research effort. It would have been impossible to assess the real problems affecting Soviet economic growth had it not been attacked on an over-all basis. Other components of the intelligence community are not equipped and are not charged with this over-all approach to the study of the Soviet economy; their economic research efforts are understandably oriented toward their individual departmental interests.

- 3 -

S-E-C-R-E-T

S-E-C-R-E-T

By interagency agreement, the primary responsibility for economic research on the Soviet Bloc now rests squarely on the Office of Research and Reports. The formalization of this responsibility in the past year is not only a recognition of the proven quality of the past performance of this Office, but also a grave responsibility for the future.

How are these problems of the Soviet Bloc economy analyzed and how are the answers obtained through an integrated and coordinated approach? First, an important function of this Office is the coordination of Governmental economic research in support of intelligence to assure that its program does not unnecessarily duplicate work conducted elsewhere within the community. The Office then undertakes intensive analysis of fragmentary and conflicting data obtained overtly and covertly from innumerable sources, and from these bits and pieces develops the economic intelligence on the Soviet Bloc required both in production of National Estimates and in a variety of special studies. Some [REDACTED] professional analysts with 25X9A2 various skills -- general and industrial economists, commodity specialists, area specialists, language specialists -- are involved in this effort. The complexity of the job demands the welding together of all the various skills brought into the organization. The economist, the technical expert, the language specialist, all are vital parts of the research team. All need special additional training, which is expensive and time consuming, but absolutely necessary. Results already obtained by analysts using special skills such as photo intelligence and [REDACTED] have 25X1B4d demonstrated the worth of this training.

- 4 -

S-E-C-R-E-T

S-E-C-R-E-T

The effort required to pin down the facts on a single, but highly significant, item in the study of the current trend in the Soviet economy -- machine tool production -- illustrates the necessity for a large research staff. Every major development in the Soviet machine tool industry since World War II has been identified as a result of painstaking analysis of bits of information combed from Russian books, newspapers and periodicals, from analysis of equipment acquired by the SOVMAT program, and from a variety of sensitive and covert source materials. Analysis in depth of this industry showed that the Soviet Union is currently producing a greater number of machine tools than any other country in the world. It further shows that current Soviet production of machine tools is ample to meet its industrial requirements, and should soon be sufficient to provide an export surplus.

Equally intensive effort must be directed by the Office toward the analysis of the many other facets of the Soviet economy which, when taken together, provide the basis for measuring that economy's current strength and future capabilities.

Another example is the current study on agricultural potentialities in the Soviet Bloc. One of the most critical economic needs in the Soviet Union is to raise its per capita food production, which is still below prewar levels. The principal measures to raise production are the cultivation of new lands in the arid regions of central Asia and expansion of corn production in the older agricultural areas. We are making an exhaustive

- 5 -

S-E-C-R-E-T

S-E-C-R-E-T

study of rainfall, length of growing season, soil fertility, and other conditions in these areas to estimate the possibilities for success of the new programs. The answer to the question, "Can the Soviets succeed in this effort?", has extremely important ramifications on future U.S. policy.

Other studies yielding highly factual information of broad interest to the community are based on [REDACTED] data which have 25X1B4d been collected and exploited by trained personnel of the Office in cooperation with the military services. These studies provide intelligence

25X1B4d

Each of our economic components periodically calls upon a small panel of fully cleared consultants drawn from among the top executives of American

- 6 -

S-E-C-R-E-T

S-E-C-R-E-T

industry. Three or four times a year these men sit down with our people and review in detail the progress of the work and the conclusions obtained, thus giving us an excellent independent check on the soundness of our estimates. Furthermore, they advise us on ways to simplify or economize in our research procedures. I might add, that these highly experienced consultants stated that they believed that our research staff was surprisingly small for the magnitude and complexity of the job that must be undertaken on a sustained basis. More recently, the Office of Research and Reports has had to retrench because of budgetary limitations. Many important projects have been deferred to make way for studies having immediate urgency and overriding priority. This means that the intelligence community of this Government and our policymakers are not obtaining as full and meaningful analyses of the Soviet Bloc economy and its capabilities as could be obtained if there were an adequate number of trained personnel on board to fully analyze all of the raw information assembled through the necessary but very expensive collection effort of this Government.

We recognize that economic intelligence serves many different national interests and purposes, and therefore the Office of Research and Reports makes periodic surveys to determine the types of problems for which economic intelligence is particularly needed by the policy and operating groups of the Government, and to inquire regarding the form of presentation most useful to these groups. We also invite constructive criticism in order that

- 7 -

S-E-C-R-E-T

S-E-C-R-E-T

our intelligence product may be continually improved toward meeting more fully the requirements of the various consumers. We place particular emphasis on the support given in the production of National Intelligence Estimates and to the National Security Council in questions relating to Soviet Bloc economic trends and capabilities.

Coordination -- EIC/EDIC

A part of the CIA economic research program is designed to fill important gaps in knowledge of the Soviet Bloc economy existing within the intelligence community. In order to assist in identifying such gaps to avoid unnecessary duplication of research, and to mobilize the intelligence community's research capabilities in response to these recognized needs, the Economic Intelligence Committee (EIC) was established in 1951 under CIA chairmanship. It includes representatives from the intelligence staffs of the Department of State, the Armed Services, the JCS, and, as appropriate, associate members from other agencies, such as, Commerce, Interior, FOA, and Agriculture. Focus is thereby given to the recognition of problems agreed to be of national security importance. This Committee has provided concerted interagency support to studies of such national intelligence issues as the size and character of Communist China's trade and shipping, and the probable economic consequences of reduction of financial aid to Yugoslavia. The EIC is currently seeking to develop better methods of estimating Soviet capabilities for production of guided missiles, and Soviet over-all economic capabilities for supporting a major war. Ef-

- 8 -

S-E-C-R-E-T

S-E-C-R-E-T

25X1C
25X1C
forts have also been directed toward coordination of certain collection activities, [REDACTED]

One tool for reducing research duplication is the surveys of the EIC which list the status of nearly all of the economic research on the Soviet Bloc completed and underway within the U.S. Government or sponsored by U.S. Government agencies through external research contracts. In this connection all external economic research contracts over \$5,000 are now reviewed by the EIC. Through this Committee mechanism, the Office of Research and Reports obtains guidance in the continual re-examination of its economic research program and has found that much of the research required to fill the important gaps in our knowledge of the Soviet economies must be undertaken by the Office since the professional personnel of the other agencies are so heavily burdened with projects directed toward the discharge of their own departmental responsibilities. The Office of Research and Reports is, therefore, the key economic intelligence organization providing the facts on the Soviet Bloc economies as a matter of common concern to the community. This was clearly recognized in a recent directive drafted by the EIC, and approved by the IAC, which delineated responsibilities for production of economic intelligence among all of the intelligence agencies.

CIA also produces and coordinates intelligence in support of the U.S. economic defense program. The Office of Research and Reports chairs the

- 9 -

S-E-C-R-E-T

S-E-C-R-E-T

Economic Defense Intelligence Committee (EDIC) which serves as the focal point of U.S. intelligence support to the Economic Defense Advisory Committee. In this manner, and by maintaining membership on EDAC and its Executive Committee, CIA insures that intelligence on particular aspects of this program is provided by those most competent in this field. We provide most of the economic intelligence on the Soviet Bloc required in evaluating the strategic importance of controlled items. During the international discussions of trade controls in Paris last year, there were particularly heavy demands for this type of intelligence support from CIA.

Under the current NSC directive on economic defense, which emphasizes enforcement of controls, CIA has given increased attention to providing action agencies with intelligence on illegal transactions and other efforts to circumvent controls. As one of many possible examples, a German trader in 1954 attempted to ship 40 tons of cobalt to Poland by misuse of a German export license, naming Argentina as the purported destination. Information [REDACTED] coupled with additional background information on the persons involved, was used to alert the appropriate authorities in Germany and Argentina to the illegal aspects of the transaction. Diversion to the Bloc was prevented. This amount of cobalt would be sufficient for the production of 450 jet aircraft engines. Only through continuous and timely analysis of information from all sources can support for enforcement be made fully effective. As a part of this support, CIA has mobilized intelligence on foreign firms and individuals engaged in transactions detrimental

25X9A1

- 10 -

S-E-C-R-E-T

S-E-C-R-E-T

to Free World security. The staff providing this support has been reduced to a minimum level, but because of competence and high motivation, is adequate to handle matters of priority concern.

Geographic Intelligence

We maintain within our Office of Research and Reports a group of competent geographic analysts and photo intelligence specialists who provide research and technical support to all parts of the Agency.

A major part of the work of the geographic group, mostly in the form of geographic intelligence reports, is undertaken in direct support of operations planning and field activities, either by the Agency or the Armed Services.

25X1C

25X1C

S-E-C-R-E-T

S-E-C-R-E-T

25X1C



In the present cold-war world, frequently threatening to become hot, reconnaissance and photographic intelligence is more important to the United States by many orders of magnitude than ever before. Our intelligence depends, to a wholly unprecedented degree, on information obtainable most rapidly and accurately by aerial photography. This is an extremely powerful technique which has been intensively developed into a whole range of related reconnaissance procedures. Aerial reconnaissance during World War II provided more than 30 million photographs which have served for more than 10 years as the core of our target intelligence programs. Currently the increasing volume of aerial and ground photography which is being obtained by United States forces on a global basis is providing detailed answers to questions regarding current Communist strengths and weaknesses, capabilities and intentions, concentrations of forces and characteristics of potential areas of operations. The Central Intelligence Agency, in close cooperation with the U.S. Air Force, Navy and Army, must utilize this growing volume of photography to assist in the preparation of current intelligence reports and national estimates.

For example, recent and current hot war situations in Indochina, Guatemala, and along the China coast pointed up the value of photographic intelligence to current intelligence reporting and to the work of IAC Watch Committee and its newly established National Indications Center. With reference to the Formosa Straits, information from the latest avail-

- 12 -

S-E-C-R-E-T

S-E-C-R-E-T

able photography has been furnished in detail regarding the Communist artillery buildup opposite Quemoy; the location, condition, and capabilities of the land supply routes leading into and within the staging areas along the coast, including status of road building, bridges and ferries, military convoys in transit, all leading to estimates of Communist logistic capabilities for military action; construction activities and status of Chinese Communist airfields; and identification of enemy aircraft and a suspected submarine in Formosa waters.

As a result of the increasing volume of reconnaissance photography being received in the United States and the intensified demands within CIA for comprehensive utilization of it, the capabilities of the existing group of CIA photo-intelligence specialists are seriously taxed.

Experience has shown that one of the most effective ways of presenting intelligence is to make extensive use of specially constructed maps. Our cartographic unit within the Office plans and prepares these maps for inclusion in CIA reports, National Intelligence Estimates, and for many other purposes including covert planning and operations.

An extensive map library and map reference facility is also maintained for use by all authorized Government officials. Its specialized collection of foreign maps is kept current through highly coordinated and effective inter-agency map procurement program that reflects the requirements of the several Government agencies having need for foreign maps.

- 13 -

S-E-C-R-E-T

S-E-C-R-E-T

National Intelligence Surveys

In conclusion, I want to stress a very significant part of the total effort of the intelligence community which takes a large portion of the budget of the Office of Research and Reports. This is the National Intelligence Surveys program with which you are already familiar. Dollar-wise, this program is providing a sound investment at reasonable cost to the Government. The NIS program was initiated by direction of the National Security Council in 1948 in order to assure full and timely intelligence on all foreign countries of the world in the event of another war. The deficiencies in such basic intelligence during World War II were disastrous in many instances. Comprehensive basic intelligence is also required in this cold war period as one basis for sound national intelligence and strategic planning. To this end, the NIS is produced in accordance with current priorities established by the Joint Chiefs of Staff. CIA's job is essentially that of coordinating this complex program, reviewing the contributions and publishing the end product. Some forty components within agencies of the Government, including the CIA, participate in this program in accordance with their specialized capabilities. For example, the Bureau of Mines contributes in the field of minerals, the Army Signal Corps on telecommunications, and the Air Force on weather and climate in coordination with the Joint Meteorological Committee.

It should be remembered that the material printed in the NIS represents only a portion of the intelligence made available under the operation

- 14 -

S-E-C-R-E-T

S-E-C-R-E-T

of the program. The stimulation of collection activities to fill "gaps" existing in the intelligence field, has provided a great new reservoir of information. Detailed information, analyzed in the process of producing the NIS but not appearing therein, is available in organized form and provides an invaluable source for the day-to-day and operational intelligence requirements of the agencies. The NIS program is a formidable task. Considerable progress has been made, yet much still has to be done. Essentially 45% of the total world coverage has been completed, most of which is on areas of high priority. Already, many of the NIS have been placed on a maintenance basis which will provide the more current intelligence lacking in the earlier issuances.

I cannot stress too strongly the importance of this program. In a letter written in 1945 to the Chief of Naval Operations, the Commandant, U.S. Marine Corps, wrote: "Our experience in this war has effectively proved that if the United States is to have the necessary basic intelligence available for early planning of possible operations, it is essential that such intelligence be collected, collated, published, and distributed -- i.e. ready to use -- prior to the beginning of hostilities." More recently, G-2 of U.S. Army Europe wrote: "The NIS ... is used in the preparation of plans and estimates of capabilities. For those areas of Europe not of immediate intelligence interest to U.S. Army Europe the NIS has frequently proved to be the only source of comprehensive intelligence data. For instance, during the tense Trieste situation, the NIS was an invaluable

- 15 -

S-E-C-R-E-T

S-E-C-R-E-T

reference document." This latter statement is only one of many from users of these Surveys which indicate its proven value as a standard reference work and as a basis for plans and estimates in critical world areas such as Korea, Indochina, and elsewhere. It is also finding increasing usefulness in such new fields as psychological warfare. There is general consensus among high-level users that immediate availability of the NIS would be invaluable in the event of a major war.

1 MAR 1955

- 16 -

S-E-C-R-E-T

S-E-C-R-E-T

ADDITIONAL EXAMPLES HIGHLIGHTING ORR RESEARCH

Analyses of Soviet Budgets

Each year the Soviet Government announces a national budget broken down into a few categories, such as defense expenditures, which are suggestive but undefined. Each year we are called upon to interpret the budget in terms of the probable directions of the Soviet economy. This is possible only in light of a mass of information about Soviet past and current budget procedures and definitions of budget categories. Detailed studies of the Soviet budget are carried on in the Office of Research and Reports throughout the year. Currently a team of analysts is concentrating on finding every possible scrap of information on defense expenditures and where they appear in the budget. Thus when a quick evaluation of a recently announced Soviet budget is needed the Office is in a position to give it with reasonable confidence.

Analysis of Communist Violations of Truce Agreement

In December 1954, the Office of National Estimates convened an ad hoc working group of IAC representatives, as the result of a request from the Director of Central Intelligence, to prepare a special report on the extent of Communist violations of the Geneva Truce Agreement for Indochina for submission to the IAC. The ORR contribution to this report consisted of a detailed analysis of Chinese Communist military assistance to the Viet Minh since the effective date of the Geneva

S-E-C-R-E-T

S-E-C-R-E-T

agreement. This report was based on extensive research over a period of many months and included the only known detailed tabulation of recent Chinese military aid. It was demonstrated that the Chinese Communist and the Viet Minh had flagrantly violated the Geneva agreement by continuing, as a matter of deliberate policy, to move substantial quantities of war supplies into North Viet Nam and that, as a consequence of this aid, the Viet Minh was enabled to expand rapidly their military capabilities.

Photo Intelligence Analysis of Dien Bien Phu

During the stand at Dien Bien Phu, our photo analysts examined all of the available photography on the fighting areas in Indochina and plotted movements of Viet Minh supplies and forces. They also estimated the conditions and capacities of roads, bridges, supporting rail lines and terrain, with particular attention to local defenses around Dien Bien Phu. In addition, a special study was made of the feasibility of a possible Communist attempt to flood the defenses by local up-stream diversions of the Mekong River.

S-E-C-R-E-T

S-E-C-R-E-T

1954 "ORCHIDS"

1. From Navy Member, NIS Committee, to Chairman, NIS Committee, 26 October 1954, quoting Commander-in-Chief, US Naval Forces, Eastern Atlantic and Mediterranean, to the effect Chapter I, Iran, will save many hours in preparing briefs and general studies of the area. SECRET.
2. From Director, Foreign Operations Administration, to DCI, 12 November 1954, expressing commendation for outstanding services rendered by Chief, Coordination Area, ORR, and by Chief and two additional officers of Economic Defense Division, ORR, who, Mr. Stassen states, by their basic analytical and administrative skill and exceptional competence and experience in economic defense matters played a key role in providing the intelligence support which has been of great value in the successful efforts of the United States to maintain a system of international controls over strategic commodities. US OFFICIALS ONLY.
3. From Deputy Director, Mutual Defense Assistance Control, to AD/RR, 19 April 1954, expressing appreciation for an excellent job in a short period of time in preparing fifty-five illustrative diversion cases summarizing successful diversions to the Bloc of strategic commodities, which cases were to be used to support a U.S. proposal in the Consultative Group for tightening enforcement of Western controls. SECRET.
4. From Director of Intelligence, Air Force, to AD/RR, 27 January 1954, commenting that the study [REDACTED] has 25X1C [] provided the Air Force with useful background information. SECRET.
5. From Hydrographer, U.S. Navy Hydrographic Office, to DCI, 15 September 1954, stating that CIA/RR-ER-1 and 3 have been found to be excellent appraisals of gravimetric work within the USSR. SECRET (our copy also marked CIA INTERNAL USE ONLY).
6. From Hydrographer, U.S. Navy Hydrographic Office, to DCI, 20 October 1954, stating that CIA/RR-GR-64 (Revised), covering Soviet capabilities and accomplishments in geodesy and cartography, is invaluable in view of the estimates provided by competent geodetic authorities and the revelation of current Soviet efforts in those fields of endeavor. SECRET.
7. [REDACTED] 25X1C []

S-E-C-R-E-T

S-E-C-R-E-T

25X1C



8. From Commandant, Industrial College of the Armed Forces, to AD/RR, 23 April 1954, conveying thanks for interest and assistance in furthering the mission of that college by making lecturers available for their course of instruction in economic potential. NO CLASSIFICATION.
9. From Director U.S. Naval School (Naval Intelligence) to DCI, 16 March 1954, with concurring endorsement from Director of Naval Intelligence, 22 March 1954, expressing appreciation for making available the services of the Chief, Photo Intelligence Division, ORR/CIA, whose interesting and informative presentation provided a very valuable adjunct to the curriculum of that school. NO CLASSIFICATION.

S-E-C-R-E-T